

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC)
SERVICE COMMISSION OF THE)
APPLICATION OF THE FUEL ADJUST-)
MENT CLAUSE OF KENTUCKY) CASE NO. 9732-B
POWER COMPANY)
FROM MAY 1, 1987, TO)
OCTOBER 31, 1987)

O R D E R

Pursuant to 807 KAR 5:056, Section 1(11), the Commission issued its Order on November 23, 1987, scheduling a hearing and requiring Kentucky Power Company ("Kentucky Power") to provide a record of scheduled, actual and forced outages, and a calculation of over- or under-recovery of fuel costs for the 6-month period under review.

Kentucky Power provided the data requested and filed its monthly fuel adjustment filings for the 6-month period under review. A hearing was held on February 11, 1988.

The sole intervenor in this case was the Utility and Rate Intervention Division of the Attorney General's Office ("AG"). The AG did not offer testimony and did not challenge the level of actual fuel cost included in Kentucky Power's monthly fuel filings.

On April 14, 1987, the Commission fixed Kentucky Power's base fuel cost at 17.40 mills per KWH. A review of Kentucky Power's

computations shows that fuel cost incurred for the 6-month period under review ranged from a low of 14.27 mills in September 1987 to a high of 17.97 mills in May 1987, with a 6-month average of 15.47 mills. The record in this case, the coal market conditions during this period and the data filed in support of the fuel adjustment clause rates indicate that the actual fuel costs included in the monthly fuel adjustment clause filing were reasonable.

Commencing in December 1984 and continuing throughout the period under review, Kentucky Power included in its fuel adjustment clause the fuel cost associated with its purchase of Rockport unit power. Since the Commission had previously denied Kentucky Power's request to charge its customers for the purchase of Rockport unit power,¹ Kentucky Power's charges for Rockport fuel appeared to be in violation of a Commission Order. Due to the complexity of the factual and legal issues presented and their dissimilarity to those normally reviewed in the semi-annual fuel clause proceedings, the Commission initiated Case No. 9325, "An Investigation of the Purchased Power Costs of Kentucky Power Company." That proceeding was concluded by an Order dated October 31, 1985, wherein Kentucky Power was ordered to cease charging its customers for Rockport fuel in excess of the cost of fuel for AEP pool power and to refund such excess collections since December 1984. Kentucky Power filed an appeal of the

¹ Order dated December 4, 1984, in Case No. 9061, "General Adjustment in Electric Rates of Kentucky Power Company."

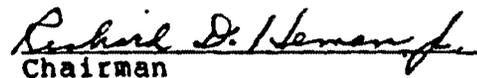
Commission's Order in the Franklin Circuit Court. Pursuant to the Circuit Court's Order entered November 19, 1987, an agreed temporary injunction was issued staying the Commission's Order in Case No. 9325. It should be noted, however, that if the Court ultimately finds in favor of the Commission, the excess collections since December 1984 will have to be refunded.

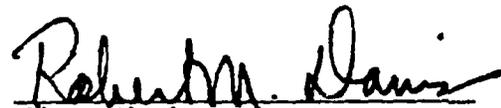
The Commission, having considered the evidence of record and being advised, is of the opinion and finds that Kentucky Power has complied in all material respects with the provisions of 807 KAR 5:056.

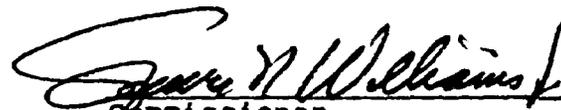
IT IS THEREFORE ORDERED that the charges and credits billed by Kentucky Power through the fuel adjustment clause for the period May 1, 1987, through October 31, 1987, be and they hereby are approved as modified in Case No. 9325.

Done at Frankfort, Kentucky, this 16th day of March, 1988.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director